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Director of  
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# National Intelligence Daily (Cable)

17 May 1979

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BRIEFS AND COMMENTS

OPEC: Oil Market Developments

Oil market pressures are enabling members of the Organization of Petroleum Exporting Countries to command prices well above official levels for contract and spot sales. Iran, Venezuela, and Abu Dhabi recently increased contract prices for the balance of the second quarter by 60 cents per barrel, and Libya by 70 cents per barrel. Many spot sales are being made at premiums of \$8 to \$10 over contract prices.

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OPEC members can be expected to capitalize on the tight market situation and buyer uneasiness by further increasing their official prices at OPEC's ministerial meeting next month in Geneva. The price increase, while short of spot price levels, is likely to be substantial. The ability of the more moderate members to influence price decisions has decreased sharply.

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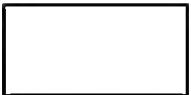
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### WARSAW PACT: Foreign Ministers' Meeting

The final communique of the Warsaw Pact foreign ministers' conference, which concluded on Tuesday in Budapest, set forth the Pact's agenda on disarmament issues for the period prior to the European security review conference to be held in Madrid next year. The latest proposals are actually a compendium of previous Soviet and Warsaw Pact disarmament initiatives as also reflected in the Warsaw Pact summit declaration last November and Soviet President Brezhnev's election speech on 2 March. [redacted]

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The communique reiterated Brezhnev's call for a treaty among participants in the Conference on Security and Cooperation in Europe on no first use of either nuclear or conventional weapons. It also advocated an expanded discussion of so-called military confidence-building measures among the signatories of the 1975 Helsinki agreement, including possible prenotification of large-scale ground, naval, and air force exercises. [redacted]

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The document also proposed the convening this year of a European conference "at the political level," with US and Canadian participation, to discuss "practical measures for lessening military confrontation" and subsequently reducing arms and armed forces in Europe. This would appear to be an elaboration of the Warsaw Pact proposal for "special consultations on military detente" advanced in October 1977 at the European security review conference in Belgrade. [redacted]

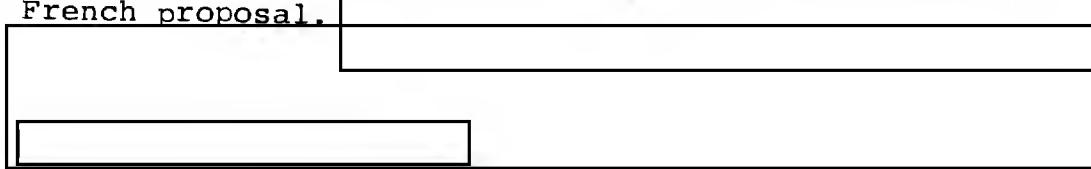
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The Soviets and their allies, however, may also see the current proposal for a new European disarmament forum as a partial response to the French interest in convening a Conference on Disarmament in Europe. Romania is the only Warsaw Pact member that has formally endorsed the

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French proposal. [redacted]

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## PORTUGAL: Budget Issue

The Portuguese legislature is likely to react negatively to Prime Minister Mota Pinto's revised austerity budget, but the largest political parties and President Eanes will probably work to assure its passage when it comes to a vote late this month. Ironically, victory will accelerate Mota Pinto's downfall because the absence of a budget is one of the final obstacles to his early ouster.

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For the Socialists and Social Democrats, the concessions to them in the new proposal came too late. They have come to view Mota Pinto's political grandstanding--evident first in his attacks on the Communists and subsequently in his pointed criticism of all the parties--as threatening. His disclaimers notwithstanding, Mota Pinto seems increasingly eager to assume leadership of the various incipient movements opposing the existing party structure. As the parties with the largest and most amorphous bases, the Socialists and Social Democrats are the most vulnerable.

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Mota Pinto's controversial performance as an independent Prime Minister places the parties in a good position to oust him, but there are compelling reasons for them to wait until the budget is in place. The Socialists--who will figure prominently in the formation of a successor government--recognize that the budget's stringencies are necessary for a new agreement with the International Monetary Fund and continued investment from abroad. By allowing the budget to pass now, the Socialists can contribute to the financial health of the next government without bearing direct responsibility for the unpopular aspects of the plan.

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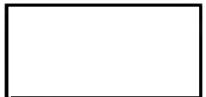
Eanes' public refusal to call an election before the budget passes is also holding the parties back. Without a new election, the parties would be forced to endure Mota Pinto as a caretaker while Eanes moved at his leisure to find a replacement. Furthermore, without the President's mediation, it would be very difficult for the parties to reach their own agreement on a successor. Thus the President and the parties are agreed that the budget must pass.

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SPAIN: Socialist Party Congress

The 28th congress of Spain's Socialist Workers' Party, which opens today in Madrid, should provide clues as to how the party will deal with a number of pressing problems, many of which stem from the party's lackluster showing in the election this spring. Party leader Felipe Gonzalez will have to defend his moderate policies against demands for change from party radicals. The congress probably will also try to define the party's relationship with the Communists--who are yoked with the Socialists in many local administrations--and with the government. More fundamentally, the party leadership faces the task of ensuring unity and organizational strength as a left-of-center opposition force. [redacted]

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Disappointing results in the national election in March, added to indications that the labor union associated with the Socialists is losing out to the Communist-dominated Workers Commissions, form a stark contrast to the atmosphere of 1977, when the party believed it was headed for success on all fronts. Gonzalez is likely to have no trouble keeping his job as party secretary general, but some of his moderate associates on the executive committee may be dropped. There is considerable grassroots feeling that party leaders have devoted too much attention to parliamentary duties and not enough to building party cadres. [redacted]

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On ideological questions, about 100 local groups have submitted draft programs, most of which advocate a tough, Marxist line in contrast with the party's moderate orientation. One party member says the leadership plans to clothe an essentially moderate program in Marxist rhetoric, but it is an open question whether the radicals will buy this tactic. This approach will also cause problems with the moderate leftists, whom the Socialists must attract if they are to win votes. [redacted]

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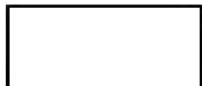


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## SPECIAL ANALYSIS

### EGYPT: Stance for Autonomy Negotiations

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Negotiations between Egypt and Israel on the establishment of a self-governing authority for the West Bank and Gaza, with US participation, are scheduled to begin late this month. The talks are to be completed within one year and be followed by elections to choose members of the Palestinian authority. Egyptian officials are likely to assume a hardline stance with Israel and probably will not be willing to risk domestic criticism and further alienation in the Arab world by softening their position.

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Egypt's primary negotiating team will include Prime Minister and Foreign Minister Mustafa Khalil as chairman, Defense Minister Kamal Hasan Ali, Minister of State for Foreign Affairs Butrus Ghali, Undersecretary Usamah al-Baz, and Military Intelligence Chief Labib Shurab.

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The Cairo press indicates that Egypt's negotiators will argue that:

- All Palestinian territories occupied in 1967, including East Jerusalem, must receive full autonomy.
- The Palestinian authority should be established by direct and free elections and should enjoy political, legislative, security, administrative, and judicial powers.
- Israel's military rule and civilian administration in the West Bank and Gaza must be abolished upon establishment of the Palestinian authority.
- An Israeli troop withdrawal should take place from the West Bank and Gaza; Israeli troops remaining should be positioned in specific areas.

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Additional Egyptian demands include the abolition of all Israeli settlements in the West Bank and Gaza and--reportedly--the establishment of a strong Palestinian police force. These points are intended to stress Egypt's determination to obtain more than mere administrative powers for the Palestinian authority.

//Israeli Prime Minister Begin's government agrees to an eventual election for a self-governing authority but otherwise would find all of the Egyptian points unacceptable because they could give the autonomy regime real authority and, over time, lead to an independent Palestinian state. The Israelis insist that autonomy must apply only to Arab inhabitants of the West Bank and Gaza and not to the territories themselves, that the status of Jerusalem is not negotiable, that the autonomy regime must have only selected administrative prerogatives, and that the Israeli military regime will remain in charge of the crucial issues of land and water rights, internal security, and Israeli settlements, which Begin is committed to expand in size and number.

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Egypt's tough stance is motivated by several factors. Sadat wants to:

- Counter hardline public statements by Israeli officials and establish Cairo's strong initial bargaining position.
- Demonstrate to Arab critics that Egypt's goal is a comprehensive settlement that satisfactorily addresses the sensitive issues of Jerusalem and Palestinian self-determination.
- Undercut criticism of the peace treaty by the Egyptian opposition and avoid an erosion of support among backers of the peace agreement.

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To avoid additional censure from fellow Arabs, Egypt may tie the pace and tenor of further moves to normalize relations with Israel--agreed in the peace treaty--to progress on the question of Palestinian autonomy. Prime Minister Khalil, for example, has consistently advocated a deliberate approach to the normalization process. Khalil recently argued that, while some symbolic steps might occur in the near future, substantive progress toward normalization would take time. Khalil probably hopes to use the process as a lever on Israel during the West Bank - Gaza negotiations. Sadat may not have endorsed this approach yet but Khalil and perhaps Vice President Mubarak will urge him to do so.

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Egypt badly wants to induce Palestinians who have a credible claim to being representative to join the peace process. Egyptian officials are uncomfortable negotiating for the Palestinians, in part because this highlights Egypt's isolation, and would like to relinquish responsibility to Palestinian representatives. Such Palestinians will be difficult to find, however, unless the early stages of the talks suggest that substantial gains for West Bank and Gaza residents are possible. In order to create a suitable climate for Palestinian entry into the talks, Egypt is pressing Israel to release Palestinian political detainees in the West Bank and Gaza and to permit Palestinians greater freedom of movement in and out of the occupied areas.

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